

## A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.  
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

## IDENTIFICATION DATA

A. Reporting A.I.D. Unit: SO1/PDO	B. Was Evaluation Scheduled in Current FY annual Evaluation Plan? Yes [ ] Slipped [X] Ad Hoc [ ] Evaluation Plan Submission date: FY <u>96</u> Q <u>1</u>	C. Evaluation Timing Interim [ ] Final [ ] Ex Post [X] Other [ ]
Mission or AID/W Office USAID/DR (ES# 517-0264)		

D. Activity or Activities Evaluated (list the following for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
517-0264	Economic Education	06-31-91	07/95	\$500	\$500

## ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
<p>Action(s) Required</p> <p>1. Decision with regard to specific suggestion outlined at the end of the Lessons Learned report. (See Section "L" on Comments)</p>	Front Office/EDT Team	February 15, 1996

## APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation:	(Month)	(Day)	(Year)
	01	10	96
G. Approvals of Evaluation Summary And Action Decisions:			
Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer
Signature	Efrain J. Laureano	Luis González	Marilyn A. Zak
Date	4/19/96		4/20/96

# ABSTRACT

## H. Evaluation Abstract (Do not exceed the space provided)

This report attempts to synthesize the major lessons learned from the Mission's Economic Education Project. Under the Project, USAID/Dominican Republic made a grant to the Fundación Economía y Desarrollo (FED) to encourage informed debate on economic issues in public fora and the press by: (1) supporting TV programs, books, newspaper articles, and seminars and conferences dealing with economic education of the public; and (2) promoting the adoption of economic policies that support economic development through private sector-led expansion. The grant was executed from 1991 to 1995 with total obligations of \$500,000. The report presents 17 lessons, each identified for ease of reference with a moniker.

The Principal lessons learned from the Project include: the potential for USAID to have an impact in the policy arena with only a modest investment; the importance not only of doing solid professional work but also of disseminating it; the possible incompatibility, at least when policy reform issues are as sensitive as those in the Dominican Republic, between exercising policy leadership and building consensus among affected parties; the recognition that policy leadership will generate controversy; the importance of limiting the economic policy debate to the issues and not letting it degenerate into an ad hominem affair; and the advisability of creating an endowment to facilitate continuity of economic policy analysis services in the public interest.

The report concludes with the recommendation that the Mission finance FED in the development of a strategy for realigning public sector budget priorities to address poverty concerns. Not only would such an exercise allow FED to meet its need to expand staff; it also could make a major contribution to the Mission's strategic objective of improving the lot of the Dominican poor majority.

## COSTS

### I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
James Riordan	LACTECH/ Chermonics	15 days	N/A	Centrally Funded
2. Mission/Office Professional Staff Person-Days (Estimate) 3 person-days		3. Borrower/Grantee Professional Staff Person-Days (Estimate) 2 person-day		

## A.I.D. EVALUATION SUMMARY - PART II

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Purpose of evaluation and methodology used</li> <li>• Purpose of Activity(ies) evaluated</li> <li>• Findings and conclusions (relate to question)</li> </ul> | <ul style="list-style-type: none"> <li>• Principal Recommendations</li> <li>• Lessons learned</li> </ul> |
|---|--|

Mission or Office:

USAID/DR

Date This Summary Prepared:

January 23, 96

Title And Date Of Full Evaluation Report:

Econ. Educ. Lessons Learned

### **Purpose of evaluation and methods used:**

The purpose of the evaluation was to synthesize the major lessons learned from the Economic Education Project (517-0264). The effort does not constitute a formal evaluation. Although it looks at the past, its objective is to contribute to the Mission's future strategy for promoting economic policy reform in the Dominican Republic.

The report grows out a two-week, one-person team visit to the Dominican Republic in December 1995. During this period, the consultant reviewed Project documents and conducted interviews with various parties. Special care was taken to reach a wide range of key individuals representing economic interest including those in line with the project and those that opposed to it. Major lessons learned and key recommendations are drawn from the available materials and face to face interviews.

### **Purpose of Activity:**

The purpose of the activity is to encourage informed debates on economic issues in public fora and the press by: (1) supporting TV programs, books, newspaper articles, and seminars and conferences dealing with economic education of the public; (2) promoting the adoption of economic policies that support economic development through private sector led expansion.

### **Major Findings:**

Returns from the Economic Education Project have exceeded what Missions normally expect to see in activities of this kind, given the small investment involved. Almost without exception, the individuals interviewed, be they friends or foes of economic liberalization, went out of their ways to acknowledge FED's success in shifting --and largely influencing -- the terms of the debate on the future of economic policy in the Dominican Republic. In addition, there is little doubt that FED has had a major impact on policy reform decisions of the current government.

A successful economic education project would have as an objective to furnish policy leadership. If the positions in questions run counter to entrenched interests, then active resistance is something not only to be lived with, but to be expected. Coincidentally, the more gradualism the approach that a government takes to policy change, the more persistent the resistance that probably will emerge. The level of impact of the project measured against the level of investment would seem to support the observation that in the area of economic reform it is not the money one brings to the table that matters; it is the ideas.

### **Key Recommendations:**

One way that USAID/DR could make a contribution to its strategic objective of improving the lot of the Dominican poor majority would be for it to finance the development of a strategy for realigning public sector budget priorities to address poverty concerns. USAID could use FED as a conduit in undertaking such an effort. The objective of the suggested strategy would be to trace out in detail how, with "apertura", the public sector budget could be recomposed to have a demonstrable impact on poor people in the Dominican Republic. The strategy first would identify who the poor currently are, where they are, and what are their different socioeconomic characteristics. It also would try to foresee how this portrait of poverty likely will change with the oncoming of trade reform. Taking into account the probable winners and losers from reform, the strategy would attempt to identify the principal constraints to increasing the incomes of poor people. In addition to examining the consonance of the country's overall policy framework with the objective of poverty alleviation, it would dissect the

3'

current allocation of public expenditures and assess their impact on the poor. Among other things, the strategy itself would examine the tradeoffs between investment in "productive" sectors (e.g., in infrastructure like roads that is intended to lower transaction costs and increase economic activity) and "social" sectors (especially education and health -- and the composition of expenditures within each), as well as the place for and the effectiveness of different kinds of safety net programs. The strategy also would attempt to address the serious institutional deficiencies that currently stand in the way of having an impact on poverty.

#### Lessons Learned:

- (a) Go with a winner Often USAID is tempted to support the creation of a brand new institution to accomplish particular ends. Experience under the Economic Education Project demonstrates the wisdom, when possible of going with a winner already in place.
- (b) USAID does not necessarily need big pockets to "buy" policy reform With relatively small investment in the Economic Education Project USAID/Dominican Republic has seen returns far out of proportion to what Missions normally expect to see in activities of this kind. Almost without exception, the individuals interviewed, be they friends or foes of economic liberalization, went out of their ways to acknowledge FED's success in shifting -- and now controlling -- the terms of the debate on the future of economic policy in the Dominican Republic. In addition, although attribution of causality always is problematic in activities like this, there is little doubt that FED has had a major impact on policy reform decisions of the current government.

The remarkable part of the story is the modest investment that the Mission made to support FED in achieving these results. The size of the investment calls into question a common assumption in USAID, namely, that large resource transfers need to be made to leverage policy change. In the end, the Dominican Republic, like other countries in the hemisphere, will make difficult policy reforms that will stick only if it believes in them. The battlefield at issue here is not one of money; it is one of ideas. If what has transpired under the Economic Education Project is any indication, the USAID/Washington decision of ceding the area of macroeconomic policy to the IFIs due to the lack of resources, might be premature.

- (c) If ideas are the name of the game, coherence is essential As opponents of economic liberalization are quick to point out, a major reason that FED has become so formidable an adversary is the coherence of its arguments. In contrast to spokespersons for other lines of economic policy, FED offers thinking that is rigorous and internally consistent. If FED were not so competent, its voice would be just one among many.
- (d) One can't do everything In theory, the reform agenda in the Dominican Republic is almost limitless. In practice, an economic policy unit will have an impact only if it narrows its insights. As a rule, focus on what is most important -- and be tenacious in seeing those reforms through.
- (e) Government can stay out of the kitchen by letting a private economic policy unit take the heat It appears that FED has played an unusual and important role in policy reform by deflecting the pressure on the government to engage in direct confrontation with opposition interest groups. When FED floated the idea of reducing the tariff of imported milk, for example, it absorbed much of the initial heat, which later made it easier for the government to institute the reform in question.
- (f) Making policy decisions is one thing; carrying them out is another In the Dominican Republic, interest group opposition is only one obstacle to effective policy reform; the other significant obstacle is the absence of capable institutions to carry policy reform decisions out. The Dominican Republic is desperately in need to clear rules of the game to govern economic activity. Even when they exist on paper, a critical mass of trained personnel does not exist to enforce them. Policy reform requires the political will not only to make decisions in the public interest, but to gear up institutionally to put the decisions into practice.

- (g) Without media there is no message Many economic units, including FED, do excellent technical work. In many cases, though, their work never sees the light of day. If anything, FED goes to the other extreme in the dissemination of its output. Perhaps the most distinctive feature of FED, in contrast with counterparts in other countries, is its incessant visibility in both the print and television media. Not only does it usually have something significant to say; it simply cannot be ignored.
- (h) A picture speaks a thousand words In the Dominican Republic, as in many LDCs, people do not have the time or the inclination to read lengthy treatises on economic arcane. What does grab attention is graphics--and FED has been ingenious in developing graphics that not only catch the eye but provoke the reader.
- (i) Keep it short and sweet (KISS) Here again, FED's experience is very instructive. The published output on which it receives the most feedback is "Mercado y Libertad" (a short one column daily newspaper article) and not "Sábado Económico" (a broader weekly newspaper article where the formal analyses are usually presented).
- (j) Controversy can be a measure of success If one's objective is to furnish policy leadership, one must carve out one's positions and indicate how they differ from others in vogue. If the position in question run counter to entrenched interests, then active resistance is something not only to be lived with, but to be expected. In that sense, if the activity in question does not generate antibodies, it is not doing its job. Interestingly, the more gradualism the approach that a government takes to policy change, the more persistent the resistance that probably will emerge. In that sense, it may be easiest for all concerned if ground is yielded in one fell swoop rather than inch by inch.
- (k) Attack the messages, not the messengers Acknowledgement of the likelihood of controversy is not to say that the policy debate can be allowed to deteriorate into a free-for-all. Again, the economic policy battlefield is a battlefield of ideas. If the debate assumes a personal adversarial cast, one can win individuals battles but wind up losing the war. If mudslinging takes over, then resistance to ideas can turn into intransigence. Both FED and its critics agree that the major shortcoming of the Economic Education Project was the occasional degeneration of the economic policy debate into an ad hominem affair. Although courtesy rules out personal attacks, it does not preclude aggressiveness in the presentation of one's position.
- (l) An economic policy foundation must be more than a one-person operation Leadership is essential, but, ultimately, an economic policy unit requires a critical mass of technical talent. As things stand now, FED is too identified with its Executive Director. Its ideas will gain more currency when there are more people who are well qualified espousing them.
- (m) Policy leadership, public education, and consensus building are three different things--and they are not necessarily compatible - The exercise of policy leadership involves staking out positions and convincing others of their merit. Public education conveys knowledge, but demands neither commitment nor give and take. Consensus building typically calls for compromise, but offers no guarantee that the result will reflect anything more than the least common denominator. One has to take into account the practical trade offs among these functions. In the case at hand, it is clear that FED attached first priority to policy leadership, second to public education, and lowest priority to consensus building. Most people agree that the foundation's success in having an impact on major policy issues and the public's understanding of them, had much to do with the selection of priorities.

5

## ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Economic Education Evaluation Report

## COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

Taken into account the key recommendations of the Economic Education Project (517-0264) Evaluation together with the recommendations of the Economic Policy and Practice Project (517-0262) Evaluation, USAID/Santo Domingo agreed to the following:

Using the remaining funds under the Economic Policy and Practice Project, the Mission would conduct a poverty alleviation effort which should culminate in a coherent and comprehensive strategy for alleviating poverty in the Dominican Republic. The strategy will address existing policy mix taking into consideration their impact on the poor. It will also look into the Public Sector Budget to stress human capital development--specially that of the most vulnerable groups. Finally, the strategy will analyze safety net measures available to the country. An emphasis will be put into the short and medium term. The effort will be closely coordinated with the new government coming into power next August 1996.

**LAC TECH**



XD-ABM-940-A

90617

**AGRICULTURE AND RURAL DEVELOPMENT TECHNICAL SERVICES PROJECT**  
AID/LAC/DR/RD, CHEMONICS INTERNATIONAL, U.S. DEPT. OF AGRICULTURE

**LESSONS LEARNED  
FROM THE ECONOMIC EDUCATION PROJECT  
IN THE DOMINICAN REPUBLIC**

Submitted to

USAID/Dominican Republic

James T. Riordan

LAC TECH

January 1996

1

## EXECUTIVE SUMMARY

This document attempts to synthesize the major lessons learned from the Mission's Economic Education Project. Under the Project, USAID/Dominican Republic made a grant to the Fundación Economía y Desarrollo (FED) to encourage informed debate on economic issues in public fora and the press by: (1) supporting TV and radio programs, books, newspaper articles, and seminars and conferences dealing with economic education of the public; and (2) promoting the adoption of economic policies that support economic development through private sector-led expansion. The report presents 17 lessons, each identified for ease of reference with a moniker.

The principal lessons learned from the Project include: the potential for USAID to have an impact in the policy arena with only a modest investment; the importance not only of doing solid professional work but also of disseminating it; the possible incompatibility, at least when policy reform issues are as sensitive as those in the Dominican Republic, between exercising policy leadership and building consensus among affected parties; the recognition that policy leadership will generate controversy; the importance of limiting the economic policy debate to the issues and not letting it degenerate into an *ad hominem* affair; and the advisability of creating an endowment to facilitate continuity of economic policy analysis services in the public interest.

The report concludes with the recommendation that the Mission finance FED in the development of a strategy for realigning public sector budget priorities to address poverty concerns. Not only would such an exercise allow FED to meet its need to expand staff; it also could make a major contribution to the Mission's strategic objective of improving the lot of the Dominican poor majority.



## **LESSONS LEARNED FROM THE ECONOMIC EDUCATION PROJECT IN THE DOMINICAN REPUBLIC**

### **1. Introduction**

The Economic Development Team of USAID/Dominican Republic currently is assessing its various activities in support of economic policy reform. In recent years, it has taken a number of significant initiatives, including its Economic Education and Economic Policy and Practices Projects. As the Dominican Republic prepares to make the transition from the presidency of Joaquín Balaguer to a new government, it is important to pull together the major lessons learned from those initiatives. The Dominican Republic has lagged behind other countries in the hemisphere in dismantling protectionist barriers. Despite apparent agreement on overriding principles, the country is divided sharply on the appropriate reach and pace of macroeconomic -- and, especially, trade -- policy reform. The degree of consensus on the overall direction of economic policy that USAID and other donors now take for granted in other Latin American and Caribbean countries is not to be found in the Dominican Republic. Thus, the support that USAID chooses to provide for policy reform in the Dominican Republic in the future may need to be *sui generis*. At a minimum, it certainly will need to be informed by a knowledge of what has worked, and what has not worked, in the past.

This document is an attempt to synthesize the major lessons learned from the Mission's Economic Education Project. It is not an evaluation. Although it looks at the past, its objective is to contribute to the Mission's future strategy for promoting economic policy reform. It also is likely that the lessons learned in the Dominican Republic may have applicability in other countries.

This document grows out of a two-week visit that the author made to the Dominican Republic in December 1995. During the TDY, the author reviewed Project documents and conducted interviews with various parties. Despite time limitations, interviews revealed a remarkable degree of consensus on the Project's strengths and weaknesses. On the one hand, parties opposed to a rapid transition to open markets were quick to acknowledge the significant impact that the Project's grantee has had. On the other hand, even the grantee's most fervent admirers -- and the grantee itself -- recognize that its performance has not been mistake-free. In short, then, the time dedicated to the preparation of this document has been brief, but it is unclear that the availability of more time would have changed markedly the central conclusions summarized below.

The document is organized in four sections. Following this introductory section, Section 2 gives brief background on the Project, its objectives, and its principal activities. Section 3 then goes directly to the major lessons learned. Finally, Section 4 offers some recommendations that the

9

Mission may wish to consider in its support of economic policy reform in the Dominican Republic in the future.

As a reference for the reader, the document also contains three appendices. Appendix A presents the author's statement of work. Appendix B presents the principal persons contacted during his stay in the Dominican Republic. And Appendix C lists the principal documents that he consulted.

One final point of introduction. No attempt to pull together the principal lessons learned from the Economic Education Project can be expected to be value-free. In practice, observers will weight differently the contribution the Project has made to policy reform *per se* and the contribution the Project has made to the building of consensus, especially among groups potentially affected by reform. The author of this document attaches higher priority to the former than to the latter. In his judgment, the nature of the reforms is such that, at least in the short run, policy reform and consensus building are competing, not complementary, objectives.

## 2. Background

In July 1991, USAID/Dominican Republic signed a two-year Economic Education Grant Agreement with the Fundación Economía y Desarrollo, Inc. (FED), for US\$300,000. In 1993, it extended the grant's PACD an additional two years and increased the amount of the grant by US\$200,000, bringing the total to US\$500,000.

FED, which commenced operations in 1987, is a unique economic think-tank dedicated to increasing consciousness and diffusion of basic economics principles, as well as the elevation of the standard of economic discussion in the Dominican Republic. It fosters the principles, mechanisms, and advantages of an economy based on competitive markets and enterprises, as well as government economic policies conducive to economic development. Over the years, FED has demonstrated exceptional technical expertise in addressing complex economic issues affecting the country.

During the 1990s, FED has aggressively promoted the acceleration of the transition of the Dominican Republic to free trade. Since the Dominican economy is highly protected, there currently is only limited support locally for the foundation's ideas. At the moment, much of its support comes from grants and contracts with international organizations.

The goal of the Economic Education Project was to increase and diversify external trade. Its purpose was:

*to encourage informed debate on economic issues in public fora and the press by: (1) supporting TV and radio programs, books, newspaper articles, and seminars and conferences dealing with economic education of the public; (2) promoting the adoption*

*of economic policies that support economic development through private sector led expansion.*

USAID's grant came at a time of declining support by the private sector in reaction to positions taken by the foundation on opening the Dominican economy. The grant provided FED with the complementary financing it needed to continue its ongoing economic education activities. It also furnished financing for the foundation to add a chart on interest rates and exchange rates to its daily newspaper program and to increase the frequency and range of topics in its conference and seminar programs. Specifically, the principal activities carried out under the grant were:

- *Sábado Económico* -- a section at least one page in length published in the Saturday edition of the morning newspaper, Listín Diario
- *Mercado y Libertad* -- a daily TV commentary broadcast three times each day; also, a synopsis of the commentary published daily in the evening newspaper, Ultima Hora
- *Economía para Todos* -- a short column published once a week in the economics section of Listín Diario
- *La Gráfica del Día* -- a graphic published daily on the front page of the economics section of Listín Diario
- *Gráfica Sobre Tasas de Interés y Tasa de Inflación* -- graphics appearing monthly in Listín Diario
- *Triálogo* -- a weekly TV panel program broadcast three times each week

Recently, USAID/Dominican Republic approved the creation of an endowment fund in the amount of RD\$9.0 million of host-country-owned local currency. FED will match this amount with another RD\$9.0 million. The foundation will use interest earned by the endowment to finance essentially the same activities carried out under the Economic Education Grant Agreement. It also will capitalize a portion of the interest earnings to keep the value of the endowment fund intact.

Internal evaluations have cited the influence FED has had in a number of policy reforms. This document, however, is the first concerted attempt to spell out the major lessons learned from the Economic Education Project and their implications for future Mission involvement in this field.

### 3. Lessons Learned

The principal lessons learned from the Economic Education Project can be synthesized as follows:

- ***Go with a winner***

Often USAID is tempted to support the creation of brand new institutions to accomplish particular ends. Experience under the Economic Education Project demonstrates the wisdom, when possible, of going with a winner already in place.<sup>1</sup>

- ***USAID does not necessarily need big pockets to "buy" policy reform***

With a relatively small investment in the Economic Education Project, USAID/Dominican Republic has seen returns far out of proportion to what Missions normally expect to see in activities of this kind. Many Missions would give their right arms to have activities with the demonstrable success that the Project has had. Almost without exception, the individuals interviewed by the author during his stay in country, be they friends or foes of economic liberalization, went out of their ways to acknowledge FED's success in shifting -- and now controlling -- the terms of the debate on the future of economic policy in the Dominican Republic. In addition, although attribution of causality always is problematic in activities like this, there is little doubt that FED has had a major impact on policy reform decisions of the current government.

The remarkable part of the story is the modest investment that the Mission made to support FED in achieving these results. The size of the investment calls into question a common assumption in USAID, namely, that the Agency must make large resource transfers to leverage policy change. In the final analysis, the Dominican Republic, like other countries in the hemisphere, will make difficult policy reforms that will stick only if it believes in them. In other words, the battlefield at issue here is not one of money; it is one of ideas.

This line of thinking has implications beyond the Project. USAID/Washington, reacting to the downward spiral of its budget allocations, has concluded that it no longer has the resources to have an impact on macroeconomic policy and, thus, will cede this arena to the multilateral banks. If what has transpired under the Economic Education Project is

---

<sup>1</sup>Although FED was a winner technically, initially its financial recordkeeping fell short of USAID requirements. The Mission deserves credit for working with the foundation to upgrade this element of its operations.

any indication, that decision may be premature. In the end, it is not the money one brings to the table; again, it is the ideas.

- ***If ideas are the name of the game, coherence is essential***

As even opponents of economic liberalization are quick to point out, a major reason that FED has become so formidable an adversary is the coherence of its arguments. In contrast to spokespersons for other lines of economic policy, FED offers thinking that is rigorous and internally consistent. If FED were not so competent, its voice would be just one among many.<sup>2</sup>

- ***If an economic policy think-tank is worth its salt, USAID will not be able to control it -- nor should it try to***

In activities of this kind, USAID often is tempted to exert pressure on "its" grantee to toe specific United States party lines. As a rule, such intervention is unwise and, in certain instances, actually can backfire. It is one thing for USAID to establish overall terms of reference in a grant agreement; it is another to micromanage. The key to a grantee's credibility often is its independence. In some countries, in fact, friction with the United States may be a necessary condition for its full acceptance in local circles as more than a *gringo* mouthpiece.

- ***One can't do everything***

In theory, the policy reform agenda in the Dominican Republic is almost limitless. In practice, an economic policy unit will have an impact only if it narrows its sights. As a rule, focus on what is most important -- and be tenacious in seeing those reforms through.

- ***Government can stay out of the kitchen by letting a private economic policy unit take the heat***

Consciously or unconsciously, it appears that FED has played an unusual and important role in policy reform by deflecting the pressure on the government to engage in direct confrontation with opposition interest groups. When FED floated the idea of reducing

---

<sup>2</sup>On the other hand, observers criticize FED for its selective citation of statistics to prove its points. FED's repeated references to experience in Chile, for example, appear to rankle a number of people.

the tariff on imported milk, for example, it absorbed much of the initial heat, which later made it easier for the government to institute the reform in question.

- ***Making policy decisions is one thing; carrying them out is another***

In the Dominican Republic, interest group opposition is only one obstacle to effective policy reform; the other significant obstacle is the absence of capable institutions to carry policy reform decisions out. The Dominican Republic is desperately in need of clear rules of the game to govern economic activity. Even when they exist on paper, a critical mass of trained personnel does not exist to enforce them. The same goes for routinized procedures. Policy reform requires the political will not only to make decisions in the public interest, but to gear up institutionally to put the decisions into practice.

- ***Without media, there will be no message***

Many economic policy units, including FED, do excellent technical work. In many cases, though, their work never sees the light of day. If anything, FED goes to the other extreme in the dissemination of its output. Perhaps the most distinctive feature of FED, in contrast with counterparts in other countries, is its incessant visibility in both the print and television media. Not only does it usually have something significant to say; it simply cannot be ignored.

- ***A picture speaks a thousand words***

In the Dominican Republic, as in most countries, people do not have the time or the inclination to read lengthy treatises on economic arcana. What does grab attention is graphics -- and FED has been ingenious in developing graphics that not only catch the eye but provoke the reader.

- ***Keep it short and sweet (KISS)***

Here again, FED's experience is very instructive. The published output on which it receives the most feedback is *Mercado y Libertad*, not *Sábado Económico*.

- ***One's medium depends on one's objective***

In the Dominican Republic, the print medium reaches relatively few people, but those people include those most involved in the making of economic policy. If one's primary objective is policy reform, therefore, print is an appropriate choice. If one is concerned

about reaching as many people as possible, however, radio and television would appear to be preferable.

- ***Policy leadership, public education, and consensus building are three different things -- and they are not necessarily compatible***

The exercise of policy leadership involves staking out positions and convincing others of their merit. Public education conveys knowledge, but demands neither commitment nor give and take. Consensus building typically calls for compromise, but offers no guarantee that the result will reflect anything more than the least common denominator. In activities like the Economic Education Project, it is common to talk of all three functions without taking into account the practical tradeoffs among them. In the case at hand, it is clear that FED attached first priority to policy leadership, second priority to public education, and lowest priority to consensus building.<sup>3</sup> Most observers would agree that that selection of priorities had much to do with the foundation's success in having an impact on major policy issues and the public's understanding of same. If one's criterion of success were to develop consensus independently of policy content, however, one could argue, with reason, that the Economic Education Project was a failure.

- ***Controversy can be a measure of success***

If one's objective is to furnish policy leadership, one must carve out one's positions and indicate how they differ from others in vogue. If the positions in question run counter to entrenched interests, then active resistance is something not only to be lived with, but to be expected. In that sense, if the activity in question does not generate antibodies, it is not doing its job. Interestingly, the more gradualist the approach that a government takes to policy change, the more persistent the resistance that probably will emerge. In that sense, it may be easiest for all concerned if ground is yielded in one fell swoop rather than inch by inch.

- ***Attack the messages, not the messengers***

Acknowledgment of the likelihood of controversy is not to say that the policy debate can be allowed to deteriorate into a free-for-all. Again, the economic policy battlefield is a battlefield of ideas. If the debate assumes a personal adversarial cast, one can win

---

<sup>3</sup>The format of *Tridlogo* is a case in point. Critics argue that the program would have more of an impact if it encouraged debate among competing views. For FED, *Tridlogo* is intended to define positions and convey them coherently to policymakers and the public at large. From that perspective, the adoption of a *Crossfire* format would accomplish little.

individual battles but wind up losing the war. If mudslinging takes over, then resistance to ideas can turn into intransigence.

Both FED and its critics agree that the major shortcoming of the Economic Education Project was the occasional degeneration of the economic policy debate into an *ad hominem* affair. In many instances, it is unclear who provoked whom, but the fact remains that the lapses that occurred at times in the civility of public discourse have created a personalized divide between FED and many opponents of trade liberalization. Without doubt, a major challenge for the future is to how to diffuse the resultant hostility and make the climate for debate more constructive. That will demand openness to dialogue and personal respect on both sides.

A final distinction. Although courtesy rules out personal attacks, it does not preclude aggressiveness in the presentation of one's positions. The aggressive posture that FED has adopted in promoting its agenda, for instance, is not necessarily a bad thing. One could argue, in fact, that unless FED had gone on the offensive in marketing its ideas, it now would be regarded simply as a harmless aberration on the policy dialogue fringe. In short, professional debate allows for the taking of strong positions; it demands civility, not intellectual appeasement.

- ***The image can be the message***

In an environment as charged as the current one in the Dominican Republic, the danger exists for misinterpretation of facts and impugning of motives. Even though there may be no conflict of interest whatsoever, for example, the father-son relationship that exists between the head of the country's principal association of importers and the Executive Director of FED is a lightning rod for comment. In a similar vein, FED's endorsement of some of the economic liberalization initiatives of the current government, together with the access it enjoys to it, furnishes fuel for backbiting that FED is in bed with a government most consider highly corrupt. The point here is not to suggest that FED attempt to modify these relationships; it simply is a recognition that, when the debate becomes as strident and as personalized as it has in the Dominican Republic, outsiders are wont to interpret what they see the way they please.

- ***An economic policy foundation must be more than a one-person operation***

Leadership is essential, but, ultimately, an economic policy unit requires a critical mass of technical talent. As things stand now, FED is too identified with its Executive Director. Its ideas will gain more currency when there are more people who are well qualified espousing them.



- *An endowment is a wise investment*

Economic policy units like FED pursue the public interest, and the public interest is a public good. Although one might like to believe otherwise, therefore, it is unrealistic to think that FED can survive sustainably only on private money.

Perhaps the most surprising finding for the author of this document is the extent to which FED has been able to tap private sources. In the initial days of the foundation, evidently that was fairly easy: inflation was public enemy number one, and on that virtually everyone could agree. Shrewdly, the foundation looked ahead and had the wisdom at that point to set aside a portion of its current income to start an endowment fund. When the policy debate later shifted to issues on which the foundation and its initial supporters took diametrically opposed positions, it was able, at least for a time, to buffer the shock of a dramatic fall in private contributions. Even today, FED's support from private parties is remarkable: 65 percent of the cost of the foundation's now routine activities is borne by advertisements and sales of goods and services to private clients.<sup>4</sup>

With all that said, the fact remains that FED still can not cover 35 percent of the cost of its ongoing programs out of current income. Thus, even when an economic policy unit is as successful as FED has been in tapping private money, the case for partial endowment funding remains strong.<sup>5</sup>

A further argument for endowments is the independence they engender. If an economic policy unit is too beholden financially to any one client -- the government, a multilateral donor, or USAID, for example, there are limits to the degree to which it can disagree, in public, at least, with the client's positions.

#### 4. Recommendations

The Economic Education Project came at a very opportune time -- in fact, at a time when it arguably made the difference in keeping FED's various public education programs afloat. The case for future USAID support is not so time-sensitive, especially after the recent approval of a relatively large endowment. With that said, it is important to note that a number of observers have volunteered the opinion that USAID has gotten more bang for its buck from its support of FED activities than from much of the rest of its portfolio. One, in fact, stated categorically that the Economic Education Project is the best investment he has seen USAID make in the

---

<sup>4</sup>At the moment, FED's routine activities make up roughly 50 percent of the total. The foundation's non-routine activities consist of one-time-only contracts with donors and the government.

<sup>5</sup>One way for FED to increase its endowment gradually over time would be for it to modify its indirect cost structure to allow for two to three points, say, of all future overhead earnings to be directed to the endowment fund.

Dominican Republic. Even when one takes into account the negative side of the ledger under the Project, it is likely that continuation of support to FED would yield a high return.

From FED's perspective, probably the most useful assistance it could receive would be assistance that allowed it to expand the critical mass of talent in the foundation and make it less dependent on one individual. There is a growing cadre of graduate students returning from studies abroad that could be absorbed usefully into the foundation in coming years.

One way that USAID conceivably could make a major contribution to its strategic objective of improving the lot of the Dominican poor majority and, as a byproduct, allow FED to expand staff would be for it to finance FED in the development of a strategy for realigning public sector budget priorities to address poverty concerns. In general, there appear to be three sets of policy changes that are called for to make a demonstrable dent in poverty in the Dominican Republic: trade policy reform; public finance reform, especially in the setting of priorities for public services and infrastructure; and targeting of effective safety net measures for the Dominican Republic's poorest people. FED has argued the case eloquently for the first set of reforms, spelling out how the elimination of protectionist policies could lower the prices of products that the poor consume in high proportions.<sup>6</sup> In the latter two sets of policy reforms, the debate does not appear to have come down to earth with proposals for specific government budget realignment measures. Here, then, is a specific topical area in which the foundation might offer needed leadership.

The objective of the suggested strategy would be to trace out in detail how, with *apertura*, the public sector budget could be recomposed to have a demonstrable impact on poor people in the Dominican Republic. The strategy first would identify who the poor currently are, where they are, and what are their different socioeconomic characteristics. It also would try to foresee how this portrait of poverty likely will change with the oncoming of trade reform. Taking into account the probable winners and losers from reform, the strategy would attempt to identify the principal constraints to increasing the incomes of poor people. In addition to examining the consonance of the country's overall policy framework with the objective of poverty alleviation, it would dissect the current allocation of public expenditures and assess their impact on the poor. Among other things, the strategy itself would examine the tradeoffs between investments in "productive" sectors (e.g., in infrastructure like roads that is intended to lower transaction costs and increase economic activity) and "social" sectors (especially education and health -- and the composition of expenditures within each), as well as the place for and the effectiveness of different kinds of safety net programs. The strategy also would attempt to address the serious institutional deficiencies that currently stand in the way of having an impact on poverty.

---

<sup>6</sup>See Andrés Dauhajre, hijo, José Achécar Chupani, and Anne Swindale, Estabilización, Apertura y Pobreza en la República Dominicana: 1986-1992 (Fundación Economía y Desarrollo, Inc., 1994). The strategy development proposed here would be a logical extension of this earlier work.

As an example of a strategy that attempts to take a comprehensive view of the challenge of addressing poverty (although it does not dissect the public sector budget in the detail suggested here), it is recommended that the reader consult *Food Security Strategy for Peru*, a copy of which the author has left with the Mission.

## **APPENDIX A**

## STATEMENT OF WORK

### Background

In 1991, USAID/DR signed a Grant Agreement with Fundación Economía y Desarrollo (FED) for US\$300,000 covering a two year period. In 1993, the grant PACD was extended for two more years and increased by US\$200,000, for a new total of US\$500,000. FED is a unique local economic think-tank that openly and aggressively promotes free trade in the Dominican Republic. Due to the highly protected nature of the present Dominican economy, local support for FED's ideas is very limited. At this point, most of their support is obtained through grants and contracts with international organizations such as USAID and the World Bank. Over the years, FED has shown a superior degree of technical expertise to address complex economic issues that are affecting the Dominican Republic.

The goal of the project is to increase and diversify external trade by encouraging informed debates on economic issues in public fora and the press. The project's purpose is to support FED's efforts to increase public awareness of basic economic principles. Internal evaluations have attributed a major influence of FED's activities to policy reforms in the country. However, no serious efforts have been undertaken to date to document the mayor lessons learned from this project and their implications for future Mission involvement in this area.

Faced with declining private sector donations, the grant allowed FED to maintain its levels of effort in their economic education activities. With this grant, FED also increased their overall activities by adding a daily section on interest rates and exchange rates to its newspaper program, and increasing the frequency and range of topics in their conference and seminar programs. The activities financed under the Economic Education Project (USAID/517-0264) encourage informed debate on economic issues in public fora and the press. They include TV and radio programs, book publications, newspaper articles, seminars and conferences dealing with economic education of the public. They promote the adoption of economic policies that support the country's economic development through private sector led expansion.

Recently, USAID/DR approved a local currency Endowment Fund for DR\$9.0 million of Host Country Owned Local Currency (HCOLC), under the Local Currency Program (LCP), to be matched by another DR\$9.0 million from FED's side. The intention of this endowment fund is to continue financing the activities described in the Grant Agreement between USAID/DR and FED, once the PACD is reached. FED shall use the interest generated by the endowment to cover the costs of basically the same activities that were financed under the Grant Agreement, and a portion of the earned

interest will be capitalized so as to maintain the monetary value of the fund.

USAID considers that a collection of lessons learned from this effort would be important not only to shape future FED activities, but also to provide timely feedback to the Mission on best practices in the area of promotion of sound economic policies in the Dominican Republic. The lessons learned under this project will be readily incorporated into the Mission strategy for future involvement in the economic policy area.

**Objectives:**

The contractor will undertake the necessary investigations and analysis in order to provide reports on the lessons learned under the Economic Education project with an emphasis on those lessons that can be readily incorporated into the Mission's strategy.

**Tasks:**

The contractor will examine the lessons learned under the Economic Education Project considering: 1) Choice and effectiveness of media mix and use; 2) Gender participation; 3) Overall approach to promote sound economic policies in the country; and 4) Effectiveness of collaborating with an NGO such as FED in broadening the debate on economic policy impact and promoting adoption of sound economic policies in the country.

The contractor will work closely with FED staff and representatives from the decision-making and business communities, to examine major lessons learned and the different media channels utilized by FED to promote their activities. The contractor will make recommendations as to the best practices in terms of cost-effectiveness of media mix, and their contribution to the achievement of stated goals and purposes. The Contractor will examine the relevance of FED experience in light of the new Mission's focus of reengineering and managing for results. The contractor will also examine the impact of the project on elevating the debate on poverty alleviation discussion in the country and make recommendations on best practices for future Mission involvement in this area. Finally, the contractor or evaluation team will draw on FED's experience to make appropriate recommendations on the level of future involvement and likely impact of future Mission's assistance in the area of economic education and promotion for adoption of sound economic policies in country.

**Report and Deliverables:**

The tentative performance period will be from December 4 to December 20, 1995. The contractor will be allowed six-day work weeks. The contractor will meet with USAID and FED staff for an entrance briefing meeting upon arrival in the Dominican Republic. Three days following the entrance briefing meeting, a detailed plan for the effort should be submitted. This plan should be discussed with USAID and FED.

The fieldwork should take no longer than two weeks. After the fieldwork has been completed, the contractor will submit a preliminary report identifying major findings and conduct formal debriefings with USAID and FED staff. The report will include an executive summary, methodology used, purpose of the activity, findings and conclusions, principal recommendations, and lessons learned for future Mission's activities in this area. USAID/DR will provide the contractor with written comments on the draft report and the A.I.D. Summary sections within one week of the departure of the contractor.

Four (4) additional workdays following the departure of the Team from the Dominican Republic will be allowed for completion, editing and reproduction of the final report, as well as for including any appropriate change suggestion from USAID/DR and FED. This report will be prepared at the contractor's home office. Ten (10) copies in English of the final report, including the A.I.D. Summary Form (AID 1330-5 [10-87]form) shall be submitted to USAID/DR, no later than fifteen (15) days after the evaluation team departure from the Dominican Republic.

In addition to hard copies of the final version of the report and the A.I.D. Summary Form (AID 1330 [10-87]form) both documents shall be provided in electronic format (WordPerfect 5.1/5.2 for Windows, on 3.5" HD diskettes), to the USAID/DR Economic Development Team.

#### Payments

To be arranged by LACTECH Project, USAID/W.

November 21, 1995 at 1:00 pm  
File: U:\PDIPUB\DOCS\EVALEE.SOW

#### Clearances:

EDT:BRudert in draft Date 11/21/95

PDO:LGonzalez in draft Date 11/20/95

23

## **APPENDIX B**



**APPENDIX B**  
**PRINCIPAL PERSONS CONTACTED**

José Luis Alemán, Pontificia Universidad Católica Madre y Maestra

Nassim J. Alemany Diná, Asociación de Industrias de la República Dominicana

Osmar Benítez, Junta Agroempresarial Dominicana

Francisco José Castillo C., Consejo Nacional de Hombres de Empresa, Inc.

Andrés Dauhajre, hijo, Fundación Economía y Desarrollo, Inc.

Frederic Emam-Zade G., SRI International

Hector Guiliani Cury, Secretaría de Estado de Finanzas

Efraín Laureano, USAID

Celso Marranzini, Asociación de Industrias de la República Dominicana

William R. Meara, United States Embassy

Thomas Miller, USAID

Luis Manuel Piantini M., Banco Central de la República Dominicana

Antonio Rodríguez Mansfield, Global Consulting

Brian Rudert, USAID

Isidoro Santana, Fundación Siglo 21

Elena Viyella de Paliza, Fertilizantes Santo Domingo, C. por A.

## **APPENDIX C**

## APPENDIX C

### PRINCIPAL DOCUMENTATION CONSULTED

- Consejo Nacional de Hombres de Empresa. "Agenda Empresarial para el Desarrollo Integrado." Draft. 1995.
- Dauhajre, Andrés, hijo. Mercado y Libertad: Tomo II. Fundación Economía y Desarrollo, Inc. 1992.
- \_\_\_\_\_; Achécar Chupani, José; and Swindale, Anne. Estabilización, Apertura y Pobreza en la República Dominicana: 1986-1992. Fundación Economía y Desarrollo, Inc. 1994.
- González, Piedad I. "Evaluación al Proyecto de Educación Económica de la Fundación Economía y Desarrollo, Inc." Memorandum. USAID. 1993.
- Guerrero, José Alfredo; and Dauhajre, Andrés, hijo. La Gráfica del Día. Fundación Economía y Desarrollo, Inc. 1991.
- Mena G., Ramón E. "El Modelo Altagraciano y las Tres Falacias." Sábado Económico No. 49. Listín Diario. 1988.
- Mena Peguero, Rita. Economía para Todos: Tomo I. Fundación Economía y Desarrollo, Inc. 1993.
- Marranzini, Celso. "Necesidades Financieras de los Sectores Dominicanos." Presentation. Taller de Instituciones Financieras de Desarrollo Europeas. 1995
- Sábado Económico: Números 157-208. Ed. by Andrés Dauhajre, hijo. Fundación Economía y Desarrollo, Inc. 1995.
- Sábado Económico: Números 209-260. Ed. by Andrés Dauhajre, hijo. Fundación Economía y Desarrollo, Inc. 1995.
- Sábado Económico: Números 261-312. Ed. by Andrés Dauhajre, hijo. Fundación Economía y Desarrollo, Inc. 1995.
- Sotero Peralta y Asociados. "Fundación Economía y Desarrollo, Inc., Proyecto USAID/Dominican Republic No. 517-0264-G-00-1222-00, Sumario de Actividades, 1ro. de Agosto, 1991 al 31 de Julio, 1992." 1992.
- USAID. "Economic Education Grant. A.I.D. Project No. 517-0264." 1991.

- Vegas, Emiliana. "How Should U.S. AID Use Policy Dialogue to Foster Education Policy Change in Latin America?" Memorandum. Research Triangle Institute. 1993.
- Vega, Bernardo; and Despradel, Carlos. "Estudio Sobre la Estrategia de Integración Económica de la República Dominicana." 1994.

# ABSTRACT

## H. Evaluation Abstract (Do not exceed the space provided)

This report attempts to synthesize the major lessons learned from the Mission's Economic Education Project. Under the Project, USAID/Dominican Republic made a grant to the Fundación Economía y Desarrollo (FED) to encourage informed debate on economic issues in public fora and the press by: (1) supporting TV programs, books, newspaper articles, and seminars and conferences dealing with economic education of the public; and (2) promoting the adoption of economic policies that support economic development through private sector-led expansion. The grant was executed from 1991 to 1995 with total obligations of \$500,000. The report presents 17 lessons, each identified for ease of reference with a moniker.

The Principal lessons learned from the Project include: the potential for USAID to have an impact in the policy arena with only a modest investment; the importance not only of doing solid professional work but also of disseminating it; the possible incompatibility, at least when policy reform issues are as sensitive as those in the Dominican Republic, between exercising policy leadership and building consensus among affected parties; the recognition that policy leadership will generate controversy; the importance of limiting the economic policy debate to the issues and not letting it degenerate into an ad hominem affair; and the advisability of creating an endowment to facilitate continuity of economic policy analysis services in the public interest.

The report concludes with the recommendation that the Mission finance FED in the development of a strategy for realigning public sector budget priorities to address poverty concerns. Not only would such an exercise allow FED to meet its need to expand staff; it also could make a major contribution to the Mission's strategic objective of improving the lot of the Dominican poor majority.

## COSTS

### I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
James Riordan	LACTECH/ Chermonics	15 days	N/A	Centrally Funded
2. Mission/Office Professional Staff Person-Days (Estimate)		3. Borrower/Grantee Professional Staff Person-Days (Estimate)		
3 person-days		2 person-day		

## A.I.D. EVALUATION SUMMARY - PART II

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Purpose of evaluation and methodology used</li> <li>• Purpose of Activity(ies) evaluated</li> <li>• Findings and conclusions (relate to question)</li> </ul> | <ul style="list-style-type: none"> <li>• Principal Recommendations</li> <li>• Lessons learned</li> </ul> |
|---|--|

Mission or Office:

USAID/DR

Date This Summary Prepared:

January 23, 96

Title And Date Of Full Evaluation Report:

Econ. Educ. Lessons Learned

### **Purpose of evaluation and methods used:**

The purpose of the evaluation was to synthesize the major lessons learned from the Economic Education Project (517-0264). The effort does not constitute a formal evaluation. Although it looks at the past, its objective is to contribute to the Mission's future strategy for promoting economic policy reform in the Dominican Republic.

The report grows out a two-week, one-person team visit to the Dominican Republic in December 1995. During this period, the consultant reviewed Project documents and conducted interviews with various parties. Special care was taken to reach a wide range of key individuals representing economic interest including those in line with the project and those that opposed to it. Major lessons learned and key recommendations are drawn from the available materials and face to face interviews.

### **Purpose of Activity:**

The purpose of the activity is to encourage informed debates on economic issues in public fora and the press by: (1) supporting TV programs, books, newspaper articles, and seminars and conferences dealing with economic education of the public; (2) promoting the adoption of economic policies that support economic development through private sector led expansion.

### **Major Findings:**

Returns from the Economic Education Project have exceeded what Missions normally expect to see in activities of this kind, given the small investment involved. Almost without exception, the individuals interviewed, be they friends or foes of economic liberalization, went out of their ways to acknowledge FED's success in shifting --and largely influencing -- the terms of the debate on the future of economic policy in the Dominican Republic. In addition, there is little doubt that FED has had a major impact on policy reform decisions of the current government.

A successful economic education project would have as an objective to furnish policy leadership. If the positions in questions run counter to entrenched interests, then active resistance is something not only to be lived with, but to be expected. Coincidentally, the more gradualism the approach that a government takes to policy change, the more persistent the resistance that probably will emerge. The level of impact of the project measured against the level of investment would seem to support the observation that in the area of economic reform it is not the money one brings to the table that matters; it is the ideas.

### **Key Recommendations:**

One way that USAID/DR could make a contribution to its strategic objective of improving the lot of the Dominican poor majority would be for it to finance the development of a strategy for realigning public sector budget priorities to address poverty concerns. USAID could use FED as a conduit in undertaking such an effort. The objective of the suggested strategy would be to trace out in detail how, with "apertura", the public sector budget could be recomposed to have a demonstrable impact on poor people in the Dominican Republic. The strategy first would identify who the poor currently are, where they are, and what are their different socioeconomic characteristics. It also would try to foresee how this portrait of poverty likely will change with the oncoming of trade reform. Taking into account the probable winners and losers from reform, the strategy would attempt to identify the principal constraints to increasing the incomes of poor people. In addition to examining the consonance of the country's overall policy framework with the objective of poverty alleviation, it would dissect the

3'

current allocation of public expenditures and assess their impact on the poor. Among other things, the strategy itself would examine the tradeoffs between investment in "productive" sectors (e.g., in infrastructure like roads that is intended to lower transaction costs and increase economic activity) and "social" sectors (especially education and health -- and the composition of expenditures within each), as well as the place for and the effectiveness of different kinds of safety net programs. The strategy also would attempt to address the serious institutional deficiencies that currently stand in the way of having an impact on poverty.

#### Lessons Learned:

- (a) Go with a winner Often USAID is tempted to support the creation of a brand new institution to accomplish particular ends. Experience under the Economic Education Project demonstrates the wisdom, when possible of going with a winner already in place.
- (b) USAID does not necessarily need big pockets to "buy" policy reform With relatively small investment in the Economic Education Project USAID/Dominican Republic has seen returns far out of proportion to what Missions normally expect to see in activities of this kind. Almost without exception, the individuals interviewed, be they friends or foes of economic liberalization, went out of their ways to acknowledge FED's success in shifting -- and now controlling -- the terms of the debate on the future of economic policy in the Dominican Republic. In addition, although attribution of causality always is problematic in activities like this, there is little doubt that FED has had a major impact on policy reform decisions of the current government.

The remarkable part of the story is the modest investment that the Mission made to support FED in achieving these results. The size of the investment calls into question a common assumption in USAID, namely, that large resource transfers need to be made to leverage policy change. In the end, the Dominican Republic, like other countries in the hemisphere, will make difficult policy reforms that will stick only if it believes in them. The battlefield at issue here is not one of money; it is one of ideas. If what has transpired under the Economic Education Project is any indication, the USAID/Washington decision of ceding the area of macroeconomic policy to the IFIs due to the lack of resources, might be premature.

- (c) If ideas are the name of the game, coherence is essential As opponents of economic liberalization are quick to point out, a major reason that FED has become so formidable an adversary is the coherence of its arguments. In contrast to spokespersons for other lines of economic policy, FED offers thinking that is rigorous and internally consistent. If FED were not so competent, its voice would be just one among many.
- (d) One can't do everything In theory, the reform agenda in the Dominican Republic is almost limitless. In practice, an economic policy unit will have an impact only if it narrows its insights. As a rule, focus on what is most important -- and be tenacious in seeing those reforms through.
- (e) Government can stay out of the kitchen by letting a private economic policy unit take the heat It appears that FED has played an unusual and important role in policy reform by deflecting the pressure on the government to engage in direct confrontation with opposition interest groups. When FED floated the idea of reducing the tariff of imported milk, for example, it absorbed much of the initial heat, which later made it easier for the government to institute the reform in question.
- (f) Making policy decisions is one thing; carrying them out is another In the Dominican Republic, interest group opposition is only one obstacle to effective policy reform; the other significant obstacle is the absence of capable institutions to carry policy reform decisions out. The Dominican Republic is desperately in need to clear rules of the game to govern economic activity. Even when they exist on paper, a critical mass of trained personnel does not exist to enforce them. Policy reform requires the political will not only to make decisions in the public interest, but to gear up institutionally to put the decisions into practice.

- (g) Without media there is no message Many economic units, including FED, do excellent technical work. In many cases, though, their work never sees the light of day. If anything, FED goes to the other extreme in the dissemination of its output. Perhaps the most distinctive feature of FED, in contrast with counterparts in other countries, is its incessant visibility in both the print and television media. Not only does it usually have something significant to say; it simply cannot be ignored.
- (h) A picture speaks a thousand words In the Dominican Republic, as in many LDCs, people do not have the time or the inclination to read lengthy treatises on economic arcane. What does grab attention is graphics--and FED has been ingenious in developing graphics that not only catch the eye but provoke the reader.
- (i) Keep it short and sweet (KISS) Here again, FED's experience is very instructive. The published output on which it receives the most feedback is "Mercado y Libertad" (a short one column daily newspaper article) and not "Sábado Económico" (a broader weekly newspaper article where the formal analyses are usually presented).
- (j) Controversy can be a measure of success If one's objective is to furnish policy leadership, one must carve out one's positions and indicate how they differ from others in vogue. If the position in question run counter to entrenched interests, then active resistance is something not only to be lived with, but to be expected. In that sense, if the activity in question does not generate antibodies, it is not doing its job. Interestingly, the more gradualism the approach that a government takes to policy change, the more persistent the resistance that probably will emerge. In that sense, it may be easiest for all concerned if ground is yielded in one fell swoop rather than inch by inch.
- (k) Attack the messages, not the messengers Acknowledgement of the likelihood of controversy is not to say that the policy debate can be allowed to deteriorate into a free-for-all. Again, the economic policy battlefield is a battlefield of ideas. If the debate assumes a personal adversarial cast, one can win individuals battles but wind up losing the war. If mudslinging takes over, then resistance to ideas can turn into intransigence. Both FED and its critics agree that the major shortcoming of the Economic Education Project was the occasional degeneration of the economic policy debate into an ad hominem affair. Although courtesy rules out personal attacks, it does not preclude aggressiveness in the presentation of one's position.
- (l) An economic policy foundation must be more than a one-person operation Leadership is essential, but, ultimately, an economic policy unit requires a critical mass of technical talent. As things stand now, FED is too identified with its Executive Director. Its ideas will gain more currency when there are more people who are well qualified espousing them.
- (m) Policy leadership, public education, and consensus building are three different things--and they are not necessarily compatible - The exercise of policy leadership involves staking out positions and convincing others of their merit. Public education conveys knowledge, but demands neither commitment nor give and take. Consensus building typically calls for compromise, but offers no guarantee that the result will reflect anything more than the least common denominator. One has to take into account the practical trade offs among these functions. In the case at hand, it is clear that FED attached first priority to policy leadership, second to public education, and lowest priority to consensus building. Most people agree that the foundation's success in having an impact on major policy issues and the public's understanding of them, had much to do with the selection of priorities.

5



## ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Economic Education Evaluation Report

## COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

Taken into account the key recommendations of the Economic Education Project (517-0264) Evaluation together with the recommendations of the Economic Policy and Practice Project (517-0262) Evaluation, USAID/Santo Domingo agreed to the following:

Using the remaining funds under the Economic Policy and Practice Project, the Mission would conduct a poverty alleviation effort which should culminate in a coherent and comprehensive strategy for alleviating poverty in the Dominican Republic. The strategy will address existing policy mix taking into consideration their impact on the poor. It will also look into the Public Sector Budget to stress human capital development--specially that of the most vulnerable groups. Finally, the strategy will analyze safety net measures available to the country. An emphasis will be put into the short and medium term. The effort will be closely coordinated with the new government coming into power next August 1996.

**LAC TECH**



XD-ABM-940-A

90617

**AGRICULTURE AND RURAL DEVELOPMENT TECHNICAL SERVICES PROJECT**  
AID/LAC/DR/RD, CHEMONICS INTERNATIONAL, U.S. DEPT. OF AGRICULTURE

**LESSONS LEARNED  
FROM THE ECONOMIC EDUCATION PROJECT  
IN THE DOMINICAN REPUBLIC**

Submitted to

USAID/Dominican Republic

James T. Riordan

LAC TECH

January 1996

1

## EXECUTIVE SUMMARY

This document attempts to synthesize the major lessons learned from the Mission's Economic Education Project. Under the Project, USAID/Dominican Republic made a grant to the Fundación Economía y Desarrollo (FED) to encourage informed debate on economic issues in public fora and the press by: (1) supporting TV and radio programs, books, newspaper articles, and seminars and conferences dealing with economic education of the public; and (2) promoting the adoption of economic policies that support economic development through private sector-led expansion. The report presents 17 lessons, each identified for ease of reference with a moniker.

The principal lessons learned from the Project include: the potential for USAID to have an impact in the policy arena with only a modest investment; the importance not only of doing solid professional work but also of disseminating it; the possible incompatibility, at least when policy reform issues are as sensitive as those in the Dominican Republic, between exercising policy leadership and building consensus among affected parties; the recognition that policy leadership will generate controversy; the importance of limiting the economic policy debate to the issues and not letting it degenerate into an *ad hominem* affair; and the advisability of creating an endowment to facilitate continuity of economic policy analysis services in the public interest.

The report concludes with the recommendation that the Mission finance FED in the development of a strategy for realigning public sector budget priorities to address poverty concerns. Not only would such an exercise allow FED to meet its need to expand staff; it also could make a major contribution to the Mission's strategic objective of improving the lot of the Dominican poor majority.

## **LESSONS LEARNED FROM THE ECONOMIC EDUCATION PROJECT IN THE DOMINICAN REPUBLIC**

### **1. Introduction**

The Economic Development Team of USAID/Dominican Republic currently is assessing its various activities in support of economic policy reform. In recent years, it has taken a number of significant initiatives, including its Economic Education and Economic Policy and Practices Projects. As the Dominican Republic prepares to make the transition from the presidency of Joaquín Balaguer to a new government, it is important to pull together the major lessons learned from those initiatives. The Dominican Republic has lagged behind other countries in the hemisphere in dismantling protectionist barriers. Despite apparent agreement on overriding principles, the country is divided sharply on the appropriate reach and pace of macroeconomic -- and, especially, trade -- policy reform. The degree of consensus on the overall direction of economic policy that USAID and other donors now take for granted in other Latin American and Caribbean countries is not to be found in the Dominican Republic. Thus, the support that USAID chooses to provide for policy reform in the Dominican Republic in the future may need to be *sui generis*. At a minimum, it certainly will need to be informed by a knowledge of what has worked, and what has not worked, in the past.

This document is an attempt to synthesize the major lessons learned from the Mission's Economic Education Project. It is not an evaluation. Although it looks at the past, its objective is to contribute to the Mission's future strategy for promoting economic policy reform. It also is likely that the lessons learned in the Dominican Republic may have applicability in other countries.

This document grows out of a two-week visit that the author made to the Dominican Republic in December 1995. During the TDY, the author reviewed Project documents and conducted interviews with various parties. Despite time limitations, interviews revealed a remarkable degree of consensus on the Project's strengths and weaknesses. On the one hand, parties opposed to a rapid transition to open markets were quick to acknowledge the significant impact that the Project's grantee has had. On the other hand, even the grantee's most fervent admirers -- and the grantee itself -- recognize that its performance has not been mistake-free. In short, then, the time dedicated to the preparation of this document has been brief, but it is unclear that the availability of more time would have changed markedly the central conclusions summarized below.

The document is organized in four sections. Following this introductory section, Section 2 gives brief background on the Project, its objectives, and its principal activities. Section 3 then goes directly to the major lessons learned. Finally, Section 4 offers some recommendations that the

9

Mission may wish to consider in its support of economic policy reform in the Dominican Republic in the future.

As a reference for the reader, the document also contains three appendices. Appendix A presents the author's statement of work. Appendix B presents the principal persons contacted during his stay in the Dominican Republic. And Appendix C lists the principal documents that he consulted.

One final point of introduction. No attempt to pull together the principal lessons learned from the Economic Education Project can be expected to be value-free. In practice, observers will weight differently the contribution the Project has made to policy reform *per se* and the contribution the Project has made to the building of consensus, especially among groups potentially affected by reform. The author of this document attaches higher priority to the former than to the latter. In his judgment, the nature of the reforms is such that, at least in the short run, policy reform and consensus building are competing, not complementary, objectives.

## 2. Background

In July 1991, USAID/Dominican Republic signed a two-year Economic Education Grant Agreement with the Fundación Economía y Desarrollo, Inc. (FED), for US\$300,000. In 1993, it extended the grant's PACD an additional two years and increased the amount of the grant by US\$200,000, bringing the total to US\$500,000.

FED, which commenced operations in 1987, is a unique economic think-tank dedicated to increasing consciousness and diffusion of basic economics principles, as well as the elevation of the standard of economic discussion in the Dominican Republic. It fosters the principles, mechanisms, and advantages of an economy based on competitive markets and enterprises, as well as government economic policies conducive to economic development. Over the years, FED has demonstrated exceptional technical expertise in addressing complex economic issues affecting the country.

During the 1990s, FED has aggressively promoted the acceleration of the transition of the Dominican Republic to free trade. Since the Dominican economy is highly protected, there currently is only limited support locally for the foundation's ideas. At the moment, much of its support comes from grants and contracts with international organizations.

The goal of the Economic Education Project was to increase and diversify external trade. Its purpose was:

*to encourage informed debate on economic issues in public fora and the press by: (1) supporting TV and radio programs, books, newspaper articles, and seminars and conferences dealing with economic education of the public; (2) promoting the adoption*

*of economic policies that support economic development through private sector led expansion.*

USAID's grant came at a time of declining support by the private sector in reaction to positions taken by the foundation on opening the Dominican economy. The grant provided FED with the complementary financing it needed to continue its ongoing economic education activities. It also furnished financing for the foundation to add a chart on interest rates and exchange rates to its daily newspaper program and to increase the frequency and range of topics in its conference and seminar programs. Specifically, the principal activities carried out under the grant were:

- *Sábado Económico* -- a section at least one page in length published in the Saturday edition of the morning newspaper, Listín Diario
- *Mercado y Libertad* -- a daily TV commentary broadcast three times each day; also, a synopsis of the commentary published daily in the evening newspaper, Ultima Hora
- *Economía para Todos* -- a short column published once a week in the economics section of Listín Diario
- *La Gráfica del Día* -- a graphic published daily on the front page of the economics section of Listín Diario
- *Gráfica Sobre Tasas de Interés y Tasa de Inflación* -- graphics appearing monthly in Listín Diario
- *Triálogo* -- a weekly TV panel program broadcast three times each week

Recently, USAID/Dominican Republic approved the creation of an endowment fund in the amount of RD\$9.0 million of host-country-owned local currency. FED will match this amount with another RD\$9.0 million. The foundation will use interest earned by the endowment to finance essentially the same activities carried out under the Economic Education Grant Agreement. It also will capitalize a portion of the interest earnings to keep the value of the endowment fund intact.

Internal evaluations have cited the influence FED has had in a number of policy reforms. This document, however, is the first concerted attempt to spell out the major lessons learned from the Economic Education Project and their implications for future Mission involvement in this field.

### 3. Lessons Learned

The principal lessons learned from the Economic Education Project can be synthesized as follows:

- ***Go with a winner***

Often USAID is tempted to support the creation of brand new institutions to accomplish particular ends. Experience under the Economic Education Project demonstrates the wisdom, when possible, of going with a winner already in place.<sup>1</sup>

- ***USAID does not necessarily need big pockets to "buy" policy reform***

With a relatively small investment in the Economic Education Project, USAID/Dominican Republic has seen returns far out of proportion to what Missions normally expect to see in activities of this kind. Many Missions would give their right arms to have activities with the demonstrable success that the Project has had. Almost without exception, the individuals interviewed by the author during his stay in country, be they friends or foes of economic liberalization, went out of their ways to acknowledge FED's success in shifting -- and now controlling -- the terms of the debate on the future of economic policy in the Dominican Republic. In addition, although attribution of causality always is problematic in activities like this, there is little doubt that FED has had a major impact on policy reform decisions of the current government.

The remarkable part of the story is the modest investment that the Mission made to support FED in achieving these results. The size of the investment calls into question a common assumption in USAID, namely, that the Agency must make large resource transfers to leverage policy change. In the final analysis, the Dominican Republic, like other countries in the hemisphere, will make difficult policy reforms that will stick only if it believes in them. In other words, the battlefield at issue here is not one of money; it is one of ideas.

This line of thinking has implications beyond the Project. USAID/Washington, reacting to the downward spiral of its budget allocations, has concluded that it no longer has the resources to have an impact on macroeconomic policy and, thus, will cede this arena to the multilateral banks. If what has transpired under the Economic Education Project is

---

<sup>1</sup>Although FED was a winner technically, initially its financial recordkeeping fell short of USAID requirements. The Mission deserves credit for working with the foundation to upgrade this element of its operations.

any indication, that decision may be premature. In the end, it is not the money one brings to the table; again, it is the ideas.

- ***If ideas are the name of the game, coherence is essential***

As even opponents of economic liberalization are quick to point out, a major reason that FED has become so formidable an adversary is the coherence of its arguments. In contrast to spokespersons for other lines of economic policy, FED offers thinking that is rigorous and internally consistent. If FED were not so competent, its voice would be just one among many.<sup>2</sup>

- ***If an economic policy think-tank is worth its salt, USAID will not be able to control it -- nor should it try to***

In activities of this kind, USAID often is tempted to exert pressure on "its" grantee to toe specific United States party lines. As a rule, such intervention is unwise and, in certain instances, actually can backfire. It is one thing for USAID to establish overall terms of reference in a grant agreement; it is another to micromanage. The key to a grantee's credibility often is its independence. In some countries, in fact, friction with the United States may be a necessary condition for its full acceptance in local circles as more than a *gringo* mouthpiece.

- ***One can't do everything***

In theory, the policy reform agenda in the Dominican Republic is almost limitless. In practice, an economic policy unit will have an impact only if it narrows its sights. As a rule, focus on what is most important -- and be tenacious in seeing those reforms through.

- ***Government can stay out of the kitchen by letting a private economic policy unit take the heat***

Consciously or unconsciously, it appears that FED has played an unusual and important role in policy reform by deflecting the pressure on the government to engage in direct confrontation with opposition interest groups. When FED floated the idea of reducing

---

<sup>2</sup>On the other hand, observers criticize FED for its selective citation of statistics to prove its points. FED's repeated references to experience in Chile, for example, appear to rankle a number of people.



the tariff on imported milk, for example, it absorbed much of the initial heat, which later made it easier for the government to institute the reform in question.

- ***Making policy decisions is one thing; carrying them out is another***

In the Dominican Republic, interest group opposition is only one obstacle to effective policy reform; the other significant obstacle is the absence of capable institutions to carry policy reform decisions out. The Dominican Republic is desperately in need of clear rules of the game to govern economic activity. Even when they exist on paper, a critical mass of trained personnel does not exist to enforce them. The same goes for routinized procedures. Policy reform requires the political will not only to make decisions in the public interest, but to gear up institutionally to put the decisions into practice.

- ***Without media, there will be no message***

Many economic policy units, including FED, do excellent technical work. In many cases, though, their work never sees the light of day. If anything, FED goes to the other extreme in the dissemination of its output. Perhaps the most distinctive feature of FED, in contrast with counterparts in other countries, is its incessant visibility in both the print and television media. Not only does it usually have something significant to say; it simply cannot be ignored.

- ***A picture speaks a thousand words***

In the Dominican Republic, as in most countries, people do not have the time or the inclination to read lengthy treatises on economic arcana. What does grab attention is graphics -- and FED has been ingenious in developing graphics that not only catch the eye but provoke the reader.

- ***Keep it short and sweet (KISS)***

Here again, FED's experience is very instructive. The published output on which it receives the most feedback is *Mercado y Libertad*, not *Sábado Económico*.

- ***One's medium depends on one's objective***

In the Dominican Republic, the print medium reaches relatively few people, but those people include those most involved in the making of economic policy. If one's primary objective is policy reform, therefore, print is an appropriate choice. If one is concerned

about reaching as many people as possible, however, radio and television would appear to be preferable.

- ***Policy leadership, public education, and consensus building are three different things -- and they are not necessarily compatible***

The exercise of policy leadership involves staking out positions and convincing others of their merit. Public education conveys knowledge, but demands neither commitment nor give and take. Consensus building typically calls for compromise, but offers no guarantee that the result will reflect anything more than the least common denominator. In activities like the Economic Education Project, it is common to talk of all three functions without taking into account the practical tradeoffs among them. In the case at hand, it is clear that FED attached first priority to policy leadership, second priority to public education, and lowest priority to consensus building.<sup>3</sup> Most observers would agree that that selection of priorities had much to do with the foundation's success in having an impact on major policy issues and the public's understanding of same. If one's criterion of success were to develop consensus independently of policy content, however, one could argue, with reason, that the Economic Education Project was a failure.

- ***Controversy can be a measure of success***

If one's objective is to furnish policy leadership, one must carve out one's positions and indicate how they differ from others in vogue. If the positions in question run counter to entrenched interests, then active resistance is something not only to be lived with, but to be expected. In that sense, if the activity in question does not generate antibodies, it is not doing its job. Interestingly, the more gradualist the approach that a government takes to policy change, the more persistent the resistance that probably will emerge. In that sense, it may be easiest for all concerned if ground is yielded in one fell swoop rather than inch by inch.

- ***Attack the messages, not the messengers***

Acknowledgment of the likelihood of controversy is not to say that the policy debate can be allowed to deteriorate into a free-for-all. Again, the economic policy battlefield is a battlefield of ideas. If the debate assumes a personal adversarial cast, one can win

---

<sup>3</sup>The format of *Tridlogo* is a case in point. Critics argue that the program would have more of an impact if it encouraged debate among competing views. For FED, *Tridlogo* is intended to define positions and convey them coherently to policymakers and the public at large. From that perspective, the adoption of a *Crossfire* format would accomplish little.

individual battles but wind up losing the war. If mudslinging takes over, then resistance to ideas can turn into intransigence.

Both FED and its critics agree that the major shortcoming of the Economic Education Project was the occasional degeneration of the economic policy debate into an *ad hominem* affair. In many instances, it is unclear who provoked whom, but the fact remains that the lapses that occurred at times in the civility of public discourse have created a personalized divide between FED and many opponents of trade liberalization. Without doubt, a major challenge for the future is to how to diffuse the resultant hostility and make the climate for debate more constructive. That will demand openness to dialogue and personal respect on both sides.

A final distinction. Although courtesy rules out personal attacks, it does not preclude aggressiveness in the presentation of one's positions. The aggressive posture that FED has adopted in promoting its agenda, for instance, is not necessarily a bad thing. One could argue, in fact, that unless FED had gone on the offensive in marketing its ideas, it now would be regarded simply as a harmless aberration on the policy dialogue fringe. In short, professional debate allows for the taking of strong positions; it demands civility, not intellectual appeasement.

- ***The image can be the message***

In an environment as charged as the current one in the Dominican Republic, the danger exists for misinterpretation of facts and impugning of motives. Even though there may be no conflict of interest whatsoever, for example, the father-son relationship that exists between the head of the country's principal association of importers and the Executive Director of FED is a lightning rod for comment. In a similar vein, FED's endorsement of some of the economic liberalization initiatives of the current government, together with the access it enjoys to it, furnishes fuel for backbiting that FED is in bed with a government most consider highly corrupt. The point here is not to suggest that FED attempt to modify these relationships; it simply is a recognition that, when the debate becomes as strident and as personalized as it has in the Dominican Republic, outsiders are wont to interpret what they see the way they please.

- ***An economic policy foundation must be more than a one-person operation***

Leadership is essential, but, ultimately, an economic policy unit requires a critical mass of technical talent. As things stand now, FED is too identified with its Executive Director. Its ideas will gain more currency when there are more people who are well qualified espousing them.

- *An endowment is a wise investment*

Economic policy units like FED pursue the public interest, and the public interest is a public good. Although one might like to believe otherwise, therefore, it is unrealistic to think that FED can survive sustainably only on private money.

Perhaps the most surprising finding for the author of this document is the extent to which FED has been able to tap private sources. In the initial days of the foundation, evidently that was fairly easy: inflation was public enemy number one, and on that virtually everyone could agree. Shrewdly, the foundation looked ahead and had the wisdom at that point to set aside a portion of its current income to start an endowment fund. When the policy debate later shifted to issues on which the foundation and its initial supporters took diametrically opposed positions, it was able, at least for a time, to buffer the shock of a dramatic fall in private contributions. Even today, FED's support from private parties is remarkable: 65 percent of the cost of the foundation's now routine activities is borne by advertisements and sales of goods and services to private clients.<sup>4</sup>

With all that said, the fact remains that FED still can not cover 35 percent of the cost of its ongoing programs out of current income. Thus, even when an economic policy unit is as successful as FED has been in tapping private money, the case for partial endowment funding remains strong.<sup>5</sup>

A further argument for endowments is the independence they engender. If an economic policy unit is too beholden financially to any one client -- the government, a multilateral donor, or USAID, for example, there are limits to the degree to which it can disagree, in public, at least, with the client's positions.

#### 4. Recommendations

The Economic Education Project came at a very opportune time -- in fact, at a time when it arguably made the difference in keeping FED's various public education programs afloat. The case for future USAID support is not so time-sensitive, especially after the recent approval of a relatively large endowment. With that said, it is important to note that a number of observers have volunteered the opinion that USAID has gotten more bang for its buck from its support of FED activities than from much of the rest of its portfolio. One, in fact, stated categorically that the Economic Education Project is the best investment he has seen USAID make in the

---

<sup>4</sup>At the moment, FED's routine activities make up roughly 50 percent of the total. The foundation's non-routine activities consist of one-time-only contracts with donors and the government.

<sup>5</sup>One way for FED to increase its endowment gradually over time would be for it to modify its indirect cost structure to allow for two to three points, say, of all future overhead earnings to be directed to the endowment fund.

Dominican Republic. Even when one takes into account the negative side of the ledger under the Project, it is likely that continuation of support to FED would yield a high return.

From FED's perspective, probably the most useful assistance it could receive would be assistance that allowed it to expand the critical mass of talent in the foundation and make it less dependent on one individual. There is a growing cadre of graduate students returning from studies abroad that could be absorbed usefully into the foundation in coming years.

One way that USAID conceivably could make a major contribution to its strategic objective of improving the lot of the Dominican poor majority and, as a byproduct, allow FED to expand staff would be for it to finance FED in the development of a strategy for realigning public sector budget priorities to address poverty concerns. In general, there appear to be three sets of policy changes that are called for to make a demonstrable dent in poverty in the Dominican Republic: trade policy reform; public finance reform, especially in the setting of priorities for public services and infrastructure; and targeting of effective safety net measures for the Dominican Republic's poorest people. FED has argued the case eloquently for the first set of reforms, spelling out how the elimination of protectionist policies could lower the prices of products that the poor consume in high proportions.<sup>6</sup> In the latter two sets of policy reforms, the debate does not appear to have come down to earth with proposals for specific government budget realignment measures. Here, then, is a specific topical area in which the foundation might offer needed leadership.

The objective of the suggested strategy would be to trace out in detail how, with *apertura*, the public sector budget could be recomposed to have a demonstrable impact on poor people in the Dominican Republic. The strategy first would identify who the poor currently are, where they are, and what are their different socioeconomic characteristics. It also would try to foresee how this portrait of poverty likely will change with the oncoming of trade reform. Taking into account the probable winners and losers from reform, the strategy would attempt to identify the principal constraints to increasing the incomes of poor people. In addition to examining the consonance of the country's overall policy framework with the objective of poverty alleviation, it would dissect the current allocation of public expenditures and assess their impact on the poor. Among other things, the strategy itself would examine the tradeoffs between investments in "productive" sectors (e.g., in infrastructure like roads that is intended to lower transaction costs and increase economic activity) and "social" sectors (especially education and health -- and the composition of expenditures within each), as well as the place for and the effectiveness of different kinds of safety net programs. The strategy also would attempt to address the serious institutional deficiencies that currently stand in the way of having an impact on poverty.

---

<sup>6</sup>See Andrés Dauhajre, hijo, José Achécar Chupani, and Anne Swindale, Estabilización, Apertura y Pobreza en la República Dominicana: 1986-1992 (Fundación Economía y Desarrollo, Inc., 1994). The strategy development proposed here would be a logical extension of this earlier work.

As an example of a strategy that attempts to take a comprehensive view of the challenge of addressing poverty (although it does not dissect the public sector budget in the detail suggested here), it is recommended that the reader consult *Food Security Strategy for Peru*, a copy of which the author has left with the Mission.

## **APPENDIX A**

## STATEMENT OF WORK

### Background

In 1991, USAID/DR signed a Grant Agreement with Fundación Economía y Desarrollo (FED) for US\$300,000 covering a two year period. In 1993, the grant PACD was extended for two more years and increased by US\$200,000, for a new total of US\$500,000. FED is a unique local economic think-tank that openly and aggressively promotes free trade in the Dominican Republic. Due to the highly protected nature of the present Dominican economy, local support for FED's ideas is very limited. At this point, most of their support is obtained through grants and contracts with international organizations such as USAID and the World Bank. Over the years, FED has shown a superior degree of technical expertise to address complex economic issues that are affecting the Dominican Republic.

The goal of the project is to increase and diversify external trade by encouraging informed debates on economic issues in public fora and the press. The project's purpose is to support FED's efforts to increase public awareness of basic economic principles. Internal evaluations have attributed a major influence of FED's activities to policy reforms in the country. However, no serious efforts have been undertaken to date to document the mayor lessons learned from this project and their implications for future Mission involvement in this area.

Faced with declining private sector donations, the grant allowed FED to maintain its levels of effort in their economic education activities. With this grant, FED also increased their overall activities by adding a daily section on interest rates and exchange rates to its newspaper program, and increasing the frequency and range of topics in their conference and seminar programs. The activities financed under the Economic Education Project (USAID/517-0264) encourage informed debate on economic issues in public fora and the press. They include TV and radio programs, book publications, newspaper articles, seminars and conferences dealing with economic education of the public. They promote the adoption of economic policies that support the country's economic development through private sector led expansion.

Recently, USAID/DR approved a local currency Endowment Fund for DR\$9.0 million of Host Country Owned Local Currency (HCOLC), under the Local Currency Program (LCP), to be matched by another DR\$9.0 million from FED's side. The intention of this endowment fund is to continue financing the activities described in the Grant Agreement between USAID/DR and FED, once the PACD is reached. FED shall use the interest generated by the endowment to cover the costs of basically the same activities that were financed under the Grant Agreement, and a portion of the earned



interest will be capitalized so as to maintain the monetary value of the fund.

USAID considers that a collection of lessons learned from this effort would be important not only to shape future FED activities, but also to provide timely feedback to the Mission on best practices in the area of promotion of sound economic policies in the Dominican Republic. The lessons learned under this project will be readily incorporated into the Mission strategy for future involvement in the economic policy area.

**Objectives:**

The contractor will undertake the necessary investigations and analysis in order to provide reports on the lessons learned under the Economic Education project with an emphasis on those lessons that can be readily incorporated into the Mission's strategy.

**Tasks:**

The contractor will examine the lessons learned under the Economic Education Project considering: 1) Choice and effectiveness of media mix and use; 2) Gender participation; 3) Overall approach to promote sound economic policies in the country; and 4) Effectiveness of collaborating with an NGO such as FED in broadening the debate on economic policy impact and promoting adoption of sound economic policies in the country.

The contractor will work closely with FED staff and representatives from the decision-making and business communities, to examine major lessons learned and the different media channels utilized by FED to promote their activities. The contractor will make recommendations as to the best practices in terms of cost-effectiveness of media mix, and their contribution to the achievement of stated goals and purposes. The Contractor will examine the relevance of FED experience in light of the new Mission's focus of reengineering and managing for results. The contractor will also examine the impact of the project on elevating the debate on poverty alleviation discussion in the country and make recommendations on best practices for future Mission involvement in this area. Finally, the contractor or evaluation team will draw on FED's experience to make appropriate recommendations on the level of future involvement and likely impact of future Mission's assistance in the area of economic education and promotion for adoption of sound economic policies in country.

**Report and Deliverables:**

The tentative performance period will be from December 4 to December 20, 1995. The contractor will be allowed six-day work weeks. The contractor will meet with USAID and FED staff for an entrance briefing meeting upon arrival in the Dominican Republic. Three days following the entrance briefing meeting, a detailed plan for the effort should be submitted. This plan should be discussed with USAID and FED.

The fieldwork should take no longer than two weeks. After the fieldwork has been completed, the contractor will submit a preliminary report identifying major findings and conduct formal debriefings with USAID and FED staff. The report will include an executive summary, methodology used, purpose of the activity, findings and conclusions, principal recommendations, and lessons learned for future Mission's activities in this area. USAID/DR will provide the contractor with written comments on the draft report and the A.I.D. Summary sections within one week of the departure of the contractor.

Four (4) additional workdays following the departure of the Team from the Dominican Republic will be allowed for completion, editing and reproduction of the final report, as well as for including any appropriate change suggestion from USAID/DR and FED. This report will be prepared at the contractor's home office. Ten (10) copies in English of the final report, including the A.I.D. Summary Form (AID 1330-5 [10-87]form) shall be submitted to USAID/DR, no later than fifteen (15) days after the evaluation team departure from the Dominican Republic.

In addition to hard copies of the final version of the report and the A.I.D. Summary Form (AID 1330 [10-87]form) both documents shall be provided in electronic format (WordPerfect 5.1/5.2 for Windows, on 3.5" HD diskettes), to the USAID/DR Economic Development Team.

#### Payments

To be arranged by LACTECH Project, USAID/W.

November 21, 1995 at 1:00 pm  
File: U:\PDIPUB\DOCS\EVALEE.SOW

#### Clearances:

EDT:BRudert in draft Date 11/21/95

PDO:LGonzalez in draft Date 11/20/95

23

## **APPENDIX B**

**APPENDIX B**  
**PRINCIPAL PERSONS CONTACTED**

José Luis Alemán, Pontificia Universidad Católica Madre y Maestra

Nassim J. Alemany Diná, Asociación de Industrias de la República Dominicana

Osmar Benítez, Junta Agroempresarial Dominicana

Francisco José Castillo C., Consejo Nacional de Hombres de Empresa, Inc.

Andrés Dauhajre, hijo, Fundación Economía y Desarrollo, Inc.

Frederic Emam-Zade G., SRI International

Hector Guiliani Cury, Secretaría de Estado de Finanzas

Efraín Laureano, USAID

Celso Marranzini, Asociación de Industrias de la República Dominicana

William R. Meara, United States Embassy

Thomas Miller, USAID

Luis Manuel Piantini M., Banco Central de la República Dominicana

Antonio Rodríguez Mansfield, Global Consulting

Brian Rudert, USAID

Isidoro Santana, Fundación Siglo 21

Elena Viyella de Paliza, Fertilizantes Santo Domingo, C. por A.

## **APPENDIX C**

## APPENDIX C

### PRINCIPAL DOCUMENTATION CONSULTED

- Consejo Nacional de Hombres de Empresa. "Agenda Empresarial para el Desarrollo Integrado." Draft. 1995.
- Dauhajre, Andrés, hijo. Mercado y Libertad: Tomo II. Fundación Economía y Desarrollo, Inc. 1992.
- \_\_\_\_\_; Achécar Chupani, José; and Swindale, Anne. Estabilización, Apertura y Pobreza en la República Dominicana: 1986-1992. Fundación Economía y Desarrollo, Inc. 1994.
- González, Piedad I. "Evaluación al Proyecto de Educación Económica de la Fundación Economía y Desarrollo, Inc." Memorandum. USAID. 1993.
- Guerrero, José Alfredo; and Dauhajre, Andrés, hijo. La Gráfica del Día. Fundación Economía y Desarrollo, Inc. 1991.
- Mena G., Ramón E. "El Modelo Altagraciano y las Tres Falacias." Sábado Económico No. 49. Listín Diario. 1988.
- Mena Peguero, Rita. Economía para Todos: Tomo I. Fundación Economía y Desarrollo, Inc. 1993.
- Marranzini, Celso. "Necesidades Financieras de los Sectores Dominicanos." Presentation. Taller de Instituciones Financieras de Desarrollo Europeas. 1995
- Sábado Económico: Números 157-208. Ed. by Andrés Dauhajre, hijo. Fundación Economía y Desarrollo, Inc. 1995.
- Sábado Económico: Números 209-260. Ed. by Andrés Dauhajre, hijo. Fundación Economía y Desarrollo, Inc. 1995.
- Sábado Económico: Números 261-312. Ed. by Andrés Dauhajre, hijo. Fundación Economía y Desarrollo, Inc. 1995.
- Sotero Peralta y Asociados. "Fundación Economía y Desarrollo, Inc., Proyecto USAID/Dominican Republic No. 517-0264-G-00-1222-00, Sumario de Actividades, 1ro. de Agosto, 1991 al 31 de Julio, 1992." 1992.
- USAID. "Economic Education Grant. A.I.D. Project No. 517-0264." 1991.

- Vegas, Emiliana. "How Should U.S. AID Use Policy Dialogue to Foster Education Policy Change in Latin America?" Memorandum. Research Triangle Institute. 1993.
- Vega, Bernardo; and Despradel, Carlos. "Estudio Sobre la Estrategia de Integración Económica de la República Dominicana." 1994.